

AMENDED IN SENATE JUNE 16, 2011

AMENDED IN SENATE JUNE 2, 2011

CALIFORNIA LEGISLATURE—2011–12 REGULAR SESSION

## ASSEMBLY BILL

**No. 228**

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**Introduced by Assembly Member Fuentes**

February 2, 2011

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An act to amend Section 11780.5 of the Insurance Code, relating to the State Compensation Insurance Fund.

### LEGISLATIVE COUNSEL'S DIGEST

AB 228, as amended, Fuentes. State Compensation Insurance Fund: out-of-state risks.

Existing law creates the State Compensation Insurance Fund administered by a board of directors for the purpose of transacting workers' compensation insurance, insurance against the expense of defending any suit for serious and willful misconduct against an employer or his or her agent, and insurance for employees and other persons for the compensation fixed by the workers' compensation laws for employees and their dependents. Existing law authorizes the fund to insure a California employer against the employer's liability for workers' compensation benefits, under the law of any other state, for California employees temporarily working outside of California on a specific assignment if the fund insures the employer's other employees who work within California.

This bill would expand that authorization so that the fund would be authorized to insure ~~an~~ *a qualified* employer whose principal place of business is in California against the employer's liability for workers' compensation benefits, under the law of any other state, if the fund

insured the employees who work within California, *as specified. The bill would require the Department of Insurance, on or before March 1, 2015, to report to the Assembly Committee on Insurance and the Senate Committee on Insurance regarding the experience of the fund in engaging in these transactions and make recommendations, as provided.*

Vote: majority. Appropriation: no. Fiscal committee: ~~no~~ yes.  
State-mandated local program: no.

*The people of the State of California do enact as follows:*

1     ~~SECTION 1. Section 11780.5 of the Insurance Code is~~  
2     ~~amended to read:~~

3     ~~11780.5. The fund may also insure an employer whose principal~~  
4     ~~place of business is in California against his or her liability for~~  
5     ~~workers' compensation benefits, under the law of any other state,~~  
6     ~~if the fund insures the employees who work within California.~~

7     ~~SECTION 1. Section 11780.5 of the Insurance Code is amended~~  
8     ~~to read:~~

9     11780.5. (a) The fund may also insure a California employer  
10    against his or her liability for workers' compensation benefits,  
11    under the law of any other state, for California employees  
12    temporarily working outside of California on a specific assignment  
13    if the fund insures the employer's other employees who work  
14    within California.

15    (b) (1) *The fund is only authorized under this subdivision to*  
16    *insure an employer whose principal place of business is in*  
17    *California, provided the majority of the employer's operations*  
18    *and employees are located within California, against his or her*  
19    *liability for workers' compensation benefits, under the law of any*  
20    *other state, if the fund insures the employer's employees who work*  
21    *within California.*

22    (2) *The fund is only authorized to transact insurance pursuant*  
23    *to this subdivision by contract with an insurer that is admitted to*  
24    *transact workers' compensation insurance in California and in*  
25    *the out-of-state jurisdiction where the non-California employees*  
26    *are located. The fund may only contract with an admitted insurer*  
27    *for purposes of this subdivision if the insurer meets all of the*  
28    *following criteria:*

29    (A) *The insurer has an A minus (A-) rating or better from A.M.*  
30    *Best Company.*

1     (B) *The insurer has substantial prior experience in transacting*  
2 *workers' compensation business on another insurer's behalf in a*  
3 *fronting arrangement.*

4     (C) *The insurer has a minimum surplus of one hundred million*  
5 *dollars (\$100,000,000).*

6     (c) (1) *On or before March 1, 2015, the Department of*  
7 *Insurance shall provide to the Assembly Committee on Insurance*  
8 *and the Senate Committee on Insurance a report assessing the*  
9 *experience of the fund that is authorized pursuant to this*  
10 *subdivision and shall make recommendations concerning its*  
11 *continuation, limitation, or expansion with special attention to the*  
12 *extent of advantages this practice offers California employers, the*  
13 *California workers' compensation marketplace, and the impact*  
14 *of this class of insurance, whether pro or con, on the fund, its*  
15 *management, and the California marketplace. The costs incurred*  
16 *by the Department of Insurance in the assessment, writing, and*  
17 *publication of this report shall be provided by the fund.*

18     (2) *The requirement for submitting a report imposed under this*  
19 *subdivision is inoperative on March 1, 2019, pursuant to Section*  
20 *10231.5 of the Government Code.*